State of Arizona House of Representatives Forty-seventh Legislature First Regular Session 2005

CHAPTER 70

## **HOUSE BILL 2184**

## AN ACT

AMENDING SECTION 32-2101, ARIZONA REVISED STATUTES; AMENDING TITLE 32, CHAPTER 20, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 32-2195.11; RELATING TO REAL ESTATE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 32-2101, Arizona Revised Statutes, is amended to read:

## 32-2101. <u>Definitions</u>

In this chapter, unless the context otherwise requires:

- 1. "Acting in concert" means evidence of collaborating to pursue a concerted plan.
- 2. "Advertising" means the attempt by publication, dissemination, exhibition, solicitation or circulation, oral or written, or for broadcast on radio or television to induce directly or indirectly any person to enter into any obligation or acquire any title or interest in lands subject to the provisions of this chapter including the land sales contract to be used and any photographs, drawings or artist's presentations of physical conditions or facilities existing or to exist on the property. Advertising does not include:
- (a) Press releases or other communications delivered to newspapers, periodicals or other news media for general information or public relations purposes if no charge is made by the newspapers, periodicals or other news media for the publication or use of any part of these communications.
  - (b) Communications to stockholders as follows:
  - (i) Annual reports and interim financial reports.
  - (ii) Proxy materials.
  - (iii) Registration statements.
  - (iv) Securities prospectuses.
  - (v) Applications for listing of securities on stock exchanges.
  - (vi) Prospectuses.
  - (vii) Property reports.
  - (viii) Offering statements.
- 3. "Affiliate" means a person who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the person specified.
- 4. "Associate broker" means a licensed broker employed by another broker. Unless otherwise specifically provided, an associate broker has the same license privileges as a salesperson.
- 5. "Barrier" means a mountain, cliff, river, canyon, canal or lake NATURAL OR MAN-MADE GEOGRAPHICAL FEATURE that prevents parcels OF LAND from being PRACTICABLY, REASONABLY AND ECONOMICALLY united or reunited and that was not caused or created by the owner of the parcels during the five years immediately preceding any sale or lease of the subject property.
- 6. "Blanket encumbrance" means any mortgage, any deed of trust or any other encumbrance or lien securing or evidencing the payment of money and affecting more than one lot or parcel of subdivided land, or an agreement affecting more than one lot or parcel by which the subdivider holds the subdivision under an option, contract to sell or trust agreement. Blanket

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encumbrance does not include taxes and assessments levied by public authority.

- 7. "Board" means the state real estate advisory board.
- 8. "Broker", when used without modification, means a person who is licensed as a broker under <del>any of the provisions of</del> this chapter or who is required to be licensed as a broker under <del>any provision of</del> this chapter.
- 9. "Camping site" means a space designed and promoted for the purpose of locating any trailer, tent, tent trailer, pickup camper or other similar device used for camping.
- 10. "Cemetery" or "cemetery property" means any one, or a combination of more than one, of the following in a place used, or intended to be used, and dedicated for cemetery purposes:
  - (a) A burial park, for earth interments.
  - (b) A mausoleum, for crypt or vault entombments.
- (c) A crematory, or a crematory and columbarium, for cinerary interments.
- (d) A cemetery plot, including interment rights, mausoleum crypts, niches and burial spaces.
- 11. "Cemetery broker" means a person other than a real estate broker or real estate salesperson who, for another, for compensation:
- (a) Sells, leases or exchanges cemetery property or interment services of or for another, or on the person's own account.
- (b) Offers for another or for the person's own account to buy, sell, lease or exchange cemetery property or interment services.
- (c) Negotiates the purchase and sale, lease or exchange of cemetery property or interment services.
- (d) Negotiates the purchase or sale, lease or exchange, or lists or solicits, or negotiates a loan on or leasing of cemetery property or interment services.
- 12. "Cemetery salesperson" means a natural person who acts on the person's own behalf or through and on behalf of a professional limited liability company or a professional corporation engaged by or on behalf of a licensed cemetery or real estate broker, or through and on behalf of a corporation, partnership or limited liability company that is licensed as a cemetery or real estate broker, to perform any act or transaction included in the definition of cemetery broker.
  - 13. "Commissioner" means the state real estate commissioner.
- 14. "Common promotional plan" means a plan, undertaken by a person or a group of persons acting in concert, to offer lots for sale or lease. If the land is offered for sale by a person or group of persons acting in concert, and the land is contiguous or is known, designated or advertised as a common unit or by a common name, the land is presumed, without regard to the number of lots covered by each individual offering, as being offered for sale or lease as part of a common promotional plan. Separate subdividers selling lots or parcels in separately platted subdivisions within a master planned

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 community shall not be deemed to be offering their combined lots for sale or lease as part of a common promotional plan.

- 15. "Compensation" means any fee, commission, salary, money or other valuable consideration for services rendered or to be rendered as well as the promise of consideration whether contingent or not.
- 16. "Contiguous" means lots, parcels or fractional interests that share a common boundary or point. Lots, parcels or fractional interests are not contiguous if they are separated by either of the following:
  - (a) A barrier.
- (b) A road, street or highway that has been established by this state or by any agency or political subdivision of this state, that has been designated by the federal government as an interstate highway or that has been publicly REGULARLY maintained by this state or by any agency or political subdivision of this state and has been used continuously by the public for at least the last five years.
- 17. "Control" or "controlled" means a person who, through ownership, voting rights, power of attorney, proxy, management rights, operational rights or other rights, has the right to make decisions binding on an entity, whether a corporation, a partnership or any other entity.
- 18. "Corporation licensee" means a lawfully organized corporation that is registered with the Arizona corporation commission and that has an officer licensed as the designated broker pursuant to section 32-2125.
  - 19. "Department" means the state real estate department.
- 20. "Designated broker" means the natural person who is licensed as a broker under this chapter and who is either:
- (a) Designated to act on behalf of an employing real estate, cemetery or membership camping entity.
  - (b) Doing business as a sole proprietor.
- 21. "Developer" means a person who offers real property in a development for sale, lease or use, either immediately or in the future, on the person's own behalf or on behalf of another person, under any of the provisions of this chapter. Developer does not include a person whose involvement with a development is limited to the listing of property within the development for sale, lease or use.
- 22. "Development" means any division, proposed division or use of real property that the department has authority to regulate, including subdivided and unsubdivided lands, cemeteries, condominiums, timeshares, membership campgrounds and stock cooperatives.
- 23. "Employing broker" means a person who is licensed or is required to be licensed as a:
  - (a) Broker entity pursuant to section 32-2125, subsection A.
- (b) Sole proprietorship if the sole proprietor is a broker licensed pursuant to this chapter.

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- 24. "Fractional interest" means an undivided interest in improved or unimproved land, lots or parcels of any size created for the purpose of sale or lease and evidenced by any receipt, certificate, deed or other document conveying the interest. Undivided interests in land, lots or parcels created in the names of a husband and wife as community property, joint tenants or tenants in common, or in the names of other persons who, acting together as part of a single transaction, acquire the interests without a purpose to divide the interests for present or future sale or lease shall be deemed to constitute only one fractional interest.
- 25. "Improved lot or parcel" means a lot or parcel of a subdivision upon which lot or parcel there is a residential, commercial or industrial building or concerning which a contract has been entered into between a subdivider and a purchaser that obligates the subdivider directly, or indirectly through a building contractor, to complete construction of a residential, commercial or industrial building on the lot or parcel within two years from the date on which the contract of sale for the lot is entered into.
- 26. "Inactive license" means a license issued pursuant to article 2 of this chapter to a licensee who is on inactive status during the current license period and who is not engaged by or on behalf of a broker.
- 27. "Lease" or "leasing" includes any lease, whether it is the sole, the principal or any incidental part of a transaction.
- 28. "License" means the whole or part of any agency permit, certificate, approval, registration, public report, charter or similar form of permission required by this chapter.
- 29. "License period" means the two year period beginning with the date of original issue or renewal of a particular license.
- 30. "Licensee" means a person to whom a license for the current license period has been granted under any provision of this chapter, and, for purposes of section 32-2153, subsection A, shall include original license applicants.
- 31. "Limited liability company licensee" means a lawfully organized limited liability company that has a member or manager who is a natural person and who is licensed as the designated broker pursuant to section 32-2125.
- 32. "Lot reservation" means an expression of interest by a prospective purchaser in buying at some time in the future a subdivided or unsubdivided lot, unit or parcel in this state. In all cases, a subsequent affirmative action by the prospective purchaser must be taken to create a contractual obligation to purchase.
- 33. "Master planned community" means a development that consists of two or more separately platted subdivisions and that is either subject to a master declaration of covenants, conditions or restrictions, is subject to restrictive covenants sufficiently uniform in character to clearly indicate a

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 general scheme for improvement or development of real property or is governed or administered by a master owner's association.

- 34. "Member" means a member of the real estate advisory board.
- 35. "Membership camping broker" means a person, other than a salesperson, who, for compensation:
- (a) Sells, purchases, lists, exchanges or leases membership camping contracts.
- (b) Offers to sell, purchase, exchange or lease membership camping contracts.
- (c) Negotiates or offers, attempts or agrees to negotiate the sale, purchase, exchange or lease of membership camping contracts.
- (d) Advertises or holds himself out as being engaged in the business of selling, buying, exchanging or leasing membership camping contracts or counseling or advising regarding membership camping contracts.
- (e) Assists or directs in the procuring of prospects calculated or intended to result in the sale, purchase, listing, exchange or lease of membership camping contracts.
- (f) Performs any of the foregoing acts as an employee or on behalf of a membership camping operator or membership contract owner.
- 36. "Membership camping contract" means an agreement offered or sold in this state evidencing a purchaser's right or license to use the camping or outdoor recreation facilities of a membership camping operator and includes a membership that provides for this use.
- 37. "Membership camping operator" means an enterprise, other than one that is tax exempt under section 501(c)(3) of the internal revenue code of 1986, as amended, that solicits membership paid for by a fee or periodic payments and has as one of its purposes camping or outdoor recreation including the use of camping sites primarily by members. Membership camping operator does not include camping or recreational trailer parks that are open to the general public and that contain camping sites rented for a per use fee or a mobile home park.
- 38. "Membership camping salesperson" means a natural person who acts on the person's own behalf or through and on behalf of a professional limited liability company or a professional corporation engaged by or on behalf of a licensed membership camping or real estate broker, or by or on behalf of a corporation, partnership or limited liability company that is licensed as a membership camping or real estate broker, to perform any act or participate in any transaction in a manner included in the definition of membership camping broker.
- 39. "Partnership licensee" means a partnership with a managing general partner who is licensed as the designated broker pursuant to section 32-2125.
- 40. "Permanent access", as required under article 4 of this chapter, means permanent access from the subdivision to any federal, state or county highway.

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- 41. "Perpetual or endowed-care cemetery" means a cemetery wherein lots or other burial spaces are sold or transferred under the representation that the cemetery will receive "perpetual" or "endowed" care as defined in this section free of further cost to the purchaser after payment of the original purchase price for the lot, burial space or interment right.
- 42. "Perpetual-care" or "endowed-care" means the maintenance and care of all places where interments have been made of the trees, shrubs, roads, streets and other improvements and embellishments contained within or forming a part of the cemetery. This shall not include the maintenance or repair of monuments, tombs, copings or other man-made ornaments as associated with individual burial spaces.
- 43. "Person" means any individual, corporation, partnership or company and any other form of multiple organization for carrying on business, foreign or domestic.
- 44. "Private cemetery" means a cemetery or place that is not licensed under article 6 of this chapter, where burials or interments of human remains are made, in which sales or transfers of interment rights or burial plots are not made to the public and in which not more than ten interments or burials occur annually.
- 45. "Promotion" or "promotional practice" means advertising and any other act, practice, device or scheme to induce directly or indirectly any person to enter into any obligation or acquire any title or interest in or use of real property subject to the provisions of this chapter, including meetings with prospective purchasers, arrangements for prospective purchasers to visit real property, travel allowances and discount, exchange, refund and cancellation privileges.
- 46. "Real estate" includes leasehold-interests and any estates in land as defined in title 33, chapter 2, articles 1 and 2, regardless of whether located in this state.
- 47. "Real estate broker" means a person, other than a salesperson, who, for another and for compensation:
- (a) Sells, exchanges, purchases, rents or leases real estate or timeshare interests.
- (b) Offers to sell, exchange, purchase, rent or lease real estate or timeshare interests.
- (c) Negotiates or offers, attempts or agrees to negotiate the sale, exchange, purchase, rental or leasing of real estate or timeshare interests.
- (d) Lists or offers, attempts or agrees to list real estate or timeshare interests for sale, lease or exchange.
- (e) Auctions or offers, attempts or agrees to auction real estate or timeshare interests.
- (f) Buys, sells, offers to buy or sell or otherwise deals in options on real estate or timeshare interests or improvements to real estate or timeshare interests.

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- (g) Collects or offers, attempts or agrees to collect rent for the use of real estate or timeshare interests.
- (h) Advertises or holds himself out as being engaged in the business of buying, selling, exchanging, renting or leasing real estate or timeshare interests or counseling or advising regarding real estate or timeshare interests.
- (i) Assists or directs in the procuring of prospects, calculated to result in the sale, exchange, leasing or rental of real estate or timeshare interests.
- (j) Assists or directs in the negotiation of any transaction calculated or intended to result in the sale, exchange, leasing or rental of real estate or timeshare interests.
- (k) Incident to the sale of real estate negotiates or offers, attempts or agrees to negotiate a loan secured or to be secured by any mortgage or other encumbrance upon or transfer of real estate or timeshare interests subject to the provisions of section 32-2155, subsection C. The provisions of This subdivision do DOES not apply to mortgage brokers as defined in and subject to the provisions of title 6, chapter 9, article 1.
- (1) Engages in the business of assisting or offering to assist another in filing an application for the purchase or lease of, or in locating or entering upon, lands owned by the state or federal government.
- (m) Claims, demands, charges, receives, collects or contracts for the collection of an advance fee in connection with any employment enumerated in this section, including employment undertaken to promote the sale or lease of real property by advance fee listing, by furnishing rental information to a prospective tenant for a fee paid by the prospective tenant, by advertisement or by any other offering to sell, lease, exchange or rent real property or selling kits connected therewith. This shall not include the activities of any communications media of general circulation or coverage not primarily engaged in the advertisement of real estate or any communications media activities that are specifically exempt from applicability of this article under section 32-2121.
- (n) Engages in any of the acts listed in subdivisions (a) through (m) of this paragraph for the sale or lease of other than real property if a real property sale or lease is a part of, contingent on or ancillary to the transaction.
- (o) Performs any of the acts listed in subdivisions (a) through (m) of this paragraph as an employee of, or in behalf of, the owner of real estate, or interest in the real estate, or improvements affixed on the real estate, for compensation.
- 48. "Real estate sales contract" means an agreement in which one party agrees to convey title to real estate to another party upon the satisfaction of specified conditions set forth in the contract.

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- 49. "Real estate salesperson" means a natural person who acts on the person's own behalf or through and on behalf of a professional limited liability company or a professional corporation engaged by or on behalf of a licensed real estate broker, or by or on behalf of a limited liability company, partnership or corporation that is licensed as a real estate broker, to perform any act or participate in any transaction in a manner included in the definition of real estate broker subject to the provisions of section 32-2155.
- 50. "Sale" or "lease" includes every disposition, transfer, OPTION or offer or attempt to dispose of or transfer real property, or an interest, use or estate in the real property, including the offering of the property as a prize or gift if a monetary charge or consideration for whatever purpose is required.
- 51. "Salesperson", when used without modification, means a natural person who acts on the person's own behalf or through and on behalf of a professional limited liability company or a professional corporation licensed under any of the provisions of this chapter or any person required to be licensed as a salesperson under any of the provisions of this chapter.
- 52. "School" means a person or entity that offers a course of study towards completion of the education requirements leading to licensure or renewal of licensure under any of the provisions of this chapter.
- 53. "Stock cooperative" means a corporation to which all of the following apply:
- (a) The corporation is formed or used to hold title to improved real property in fee simple or for a term of years.
- (b) All or substantially all of the shareholders of the corporation each receives a right of exclusive occupancy in a portion of the real property to which the corporation holds title.
- (c) The right of occupancy may only be transferred with the concurrent transfer of the shares of stock in the corporation held by the person having the right of occupancy.
- 54. "Subdivider" means any person who offers for sale or lease six or more lots, parcels or fractional interests in a subdivision or who causes land to be subdivided into a subdivision for the subdivider or for others, or who undertakes to develop a subdivision, but does not include a public agency or officer authorized by law to create subdivisions.
  - 55. "Subdivision" or "subdivided lands":
- (a) Means improved or unimproved land or lands divided or proposed to be divided for the purpose of sale or lease, whether immediate or future, into six or more lots, parcels or fractional interests. Subdivision or subdivided lands include
- (b) INCLUDES a stock cooperative, and include lands divided or proposed to be divided as part of a common promotional plan AND RESIDENTIAL CONDOMINIUMS AS DEFINED IN TITLE 33, CHAPTER 9. This paragraph shall not apply to

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- (c) DOES NOT INCLUDE:
- (i) Leasehold offerings of one year or less. or to
- (ii) The division or proposed division of land located in the THIS state of Arizona into lots or parcels each of which is, or will be, thirty-six acres or more in area including to the centerline of dedicated roads or easements, if any, contiguous to the lot or parcel. and provided further that this definition shall not be deemed to include
- (iii) The leasing of agricultural lands, or of apartments, offices, stores, hotels, motels, pads or similar space within an apartment building, industrial building, rental recreational vehicle community, rental manufactured home community, rental mobile home park or commercial building.

  , except that residential condominiums as defined in title 33, chapter 9 shall be included in this definition, nor shall this definition include
- (iv) The subdivision into or development of parcels, plots or fractional portions within the boundaries of a cemetery that has been formed and approved pursuant to this chapter.
- 56. "Timeshare" or "timeshare property" means real property ownership or right of occupancy in real property pursuant to article 9 of this chapter. For the purposes of this chapter, a timeshare is not a security unless it meets the definition of a security under section 44-1801.
  - 57. "Trustee" means:
- (a) A person designated under section 32-2194.27 to act as a trustee for an endowment-care cemetery fund.
- (b) A person holding bare legal title to real property under a subdivision trust. A trustee shall not be deemed to be a developer, subdivider, broker or salesperson within the provisions of this chapter.
- 58. "Unimproved lot or parcel" means a lot or parcel of a subdivision that is not an improved lot or parcel.
- 59. "Unsubdivided lands" means land or lands divided or proposed to be divided for the purpose of sale or lease, whether immediate or future, into six or more lots, parcels or fractional interests and the lots or parcels are thirty-six acres or more each but less than one hundred sixty acres each, or that are offered, known or advertised under a common promotional plan for sale or lease, except that agricultural leases shall not be included in this definition.
- Sec. 2. Title 32, chapter 20, article 7, Arizona Revised Statutes, is amended by adding section 32-2195.11, to read:
  - 32-2195.11. Civil penalties; limitation
- A. AN OWNER OR AGENT WHO IS SUBJECT TO THE JURISDICTION OF THE DEPARTMENT AND WHO VIOLATES ANY PROVISION OF THIS CHAPTER RELATING TO THE SALE OR LEASE OF UNSUBDIVIDED LANDS OR ANY RULE ADOPTED OR ORDER ISSUED BY THE COMMISSIONER RELATING TO THE SALE OR LEASE OF UNSUBDIVIDED LANDS OR WHO ENGAGES IN ANY UNLAWFUL PRACTICES DEFINED IN SECTION 44-1522 WITH RESPECT TO THE SALE OR LEASE OF UNSUBDIVIDED LANDS MAY BE ASSESSED A CIVIL PENALTY BY THE COMMISSIONER, AFTER A HEARING, IN AN AMOUNT OF NOT MORE THAN ONE THOUSAND

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DOLLARS PER INFRACTION. AN INFRACTION THAT CONCERNS MORE THAN ONE LOT AMONG UNSUBDIVIDED LANDS IS A SINGLE INFRACTION FOR THE PURPOSES OF THIS SECTION.

- B. A PROCEEDING FOR THE IMPOSITION OF A CIVIL PENALTY OR FOR SUSPENSION OR REVOCATION OF A LICENSE FOR A VIOLATION OF THIS ARTICLE OR ANY RULE ADOPTED OR ORDER ISSUED BY THE COMMISSIONER MUST BE COMMENCED WITHIN THE EARLIER OF FIVE YEARS OF EITHER OF THE FOLLOWING:
  - 1. ACTUAL DISCOVERY BY THE DEPARTMENT.
- 8 2. DISCOVERY THAT SHOULD HAVE OCCURRED IF THE DEPARTMENT WAS 9 REASONABLY DILIGENT.

APPROVED BY THE GOVERNOR APRIL 13, 2005.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 13, 2005.

Passed the House <u>February 14</u> , 2005, Passed th	llowing vote: 2/ Aves
by the following vote: 48 Ayes, by the following	llowing vote: 2/ Ayes,
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## HOUSE CONCURS IN SENATE AMENDMENTS AND FINAL PASSAGE

	April 07,2005.		
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